



## Minutes of the IT Investment Board

**April 7, 2004**

### **Members Present:**

George C. Newstrom (Chairman)

Chris Caine

Jimmy Hazel

Hiram Johnson

Dr. Mary Guy Miller

Scott Pattison

Len Pomata

Walter Kucharski (ex-officio/non-voting)

### **Members Absent:**

Jim McGuirk

John Lee

### **Others Present:**

Lem Stewart, Chief Information Officer, VITA

John Westrick, Counsel to the Board

### **Call to Order**

The Chairman called the meeting of the Virginia Information Technology Investment Board to order at 1:03 p.m.

### **Approval of Minutes**

Jimmy Hazel made a motion that the minutes of the March 3, 2004 meeting be approved. Dr. Miller seconded motion. Chairman Newstrom asked that a slight change be made to page 4, paragraph 2, under the IT Project Review Committee Report, with the addition of 2 words "be adopted" at the end of the sentence. The sentence would read, "Chairman McGuirk made a motion that the Enterprise Architecture Platform Domain Report *be adopted.*" There being no further changes, the minutes were approved as written.

Prior to CIO Update, Chairman Newstrom introduced Eugene Huang, Deputy Secretary of Technology. Mr. Huang represented Virginia and the Governor at the Computer World 2004 Conference in San Francisco, California. VITA and the IT Reform effort was recognized by Computer World and the Computer World Honors Program for outstanding achievement in Information Technology. Mr. Huang presented this award to Lem Stewart and the VITA staff for its leadership in IT Reform. As quoted from press release, "This metal of achievement is presented annually to men and women around the world who have made outstanding progress with society through their visionary use of information technology."

Chairman Newstrom also expressed his appreciation to Lem Stewart and recognized all VITA staff for outstanding work.

## CIO Update

Lem Stewart gave a status report of VITA activities. (presentation attached) Specific highlights are:

- Methodology for direct bill and shared services approved by ITIB at 3/3/04 meeting. Detailed out all cost associated and all integration costs and incorporated into the methodology and presented to the ITIB Finance Committee.
- Shared rate methodology parallels the direct bill. VITA will not be under a sole direct bill structure, but will aggressively pursue consolidation activities. This will involve the development of individual rate structures.
- A projected timeline has been developed for the direct bill and shared bill methodologies.
- As of July 1, 2004 VITA MEL will increase to 656 (merger of medium agencies and VDOT)
- By January 1, 2005 the MEL will increase to 1286 (merger of large agencies)
- VITA has identified 54 positions that will be needed to implement the merger through the large agencies, effective July 1, 2004. To resolve the MEL problems, the Department of Planning and Budget (DPB) will do a sweep of all vacant positions across each secretariat area and will transition vacant positions to VITA, making a total of 32 FTEs. At the beginning of the fiscal year, DPB will permit VITA to operate under a temporary MEL policy, which will permit VITA to hire 22 additional MEL under a temporary window (fiscal year 05)).
- DPB has agreed that for any cost savings generated by the Virginia Technology Infrastructure Fund in the 05 Fiscal year, it will permit costs to remain within the context of agencies as an offset to the cost of integration.
- During the period of integration and transformation, any employee who relocates to the Richmond Plaza Building will be provided parking, assuming that the employee had parking in his/her previous position.
- VITA staff have met with 17 of the 22 medium agencies. Target date for executive agreements for agencies is May 15, 2004.
- Received APA Report on VPNET on Fiscal Year 03 activity, which cited deficiencies. VITA has implemented key initiatives that will address all actions taken.
- Nine of the fifteen APA Audit recommendations have been completed.
- Target date for completion of DHRM classification study is May 3, 2004.

- Instituted an organizational restructure of VITA to improve the efficiency of operations for VITA and also the functional realignment to improve decision-making process. Specifically:
  - Executive Support and Communications – includes all website, internal and external communications within VITA to report to Deputy CIO, Cheryl Clark.
  - The Council on Technology Services - CIO is Chair. Comprised of representatives from across the state that will assist the CIO in reviewing technology across Virginia. To be reconstituted in early summer.
  - Director of Supply and Chain Management – procurement operations and financial management services.
  - The VITA Strategic Plans and Metrics Division - A new division within VITA. A small staff is being recruited to work with CIO and the Director of Financial Management Services to build a comprehensive set of metrics and measurements for performance across all divisions within VITA. This team will measure both internal and external services of VITA. Hiring to be completed by September 30, 2004.

Chris Caine questioned the type of skills needed and benchmarks would be used to hire personnel in this unit. Mr. Stewart stated that along with management skill, the selected candidate would also have a strategic view of the agency and a specific business view, as well. Mr. Caine commented that the Division is a very important initiative in VITA and will set Virginia apart from any other places within the country.

- Director of Security – Filled by Jeff Deisen. Responsible for securing all Commonwealth data.
- Project Management Project Review/Enterprise PM - established as a result of CIO reviewing PPEA proposals in-house. Establishes a process for timely management and review of PPEAs. More information will be discussed at a later date.
- ITIB Support - support for all boards within VITA, ITIB specifically.
- Associate Director of Customer Support - customer support for VITA. Will fill in-house.
- Director of Human Resource Management - Filled by Susie Witter. Responsible for all human resource management activities within VITA.

Hiram Johnson and Len Pomata inquired if the ITIB needed to approve any

organizational structure of VITA. Mr. Stewart he had taken additional steps in working with DHRM regarding classifications, etc., but normally it fell within the purview of the CIO to approve any organizational changes within VITA.

- Developed a Quick Win Tracking Report to maintain a tracking record of all quick wins to be undertaken from start to completion of actual cost savings from Fiscal Year 04-05 and the six-year baseline benefit. Chart indicates that VITA is acknowledging costs savings.

Discussion occurred regarding costs savings of VITA. Jimmy Hazel commented that the Board should be aware that every time savings are posted, whether real or projected, money is transferred to other places. He also stated that there was a motion on the House floor proposing an amendment to take \$25,000,000 in projected IT savings and give that amount to State Police and Medicaid. The basis for the motion was that he had read about the savings in the Bacon Rebellion newsletter. The motion was adopted on the floor.

Chairman Newstrom stated that all things being equal, the consolidation to VITA will realize real savings on a run-rate basis. He also stated that there is a great deal of press questioning the “numbers” regarding total costs savings. He stated that the Administration has responded to every request in a timely manner.

## **The VITA Process for Management and Governance of PPEA**

Dan Ziomek gave a presentation of VITA’s process for management and governance of PPEA (presentation attached).

Hiram Johnson questioned what persons were responsible for selecting the PPEA Review Committee. Lem Stewart responded that he, as CIO, selects members of the Review Committee. Chairman Newstrom reiterated that he and Jimmy Hazel would represent the ITIB on this Committee.

Lengthy discussion was held regarding the Process Model Chart for high-level activity and decision points, located on page 8 of the presentation:

- Len Pomata stated that the chart does not indicate that ITIB would review all proposals prior to being submitted to the General Assembly. Presently, the ITIB approval block is blank. Walter Kucharski commented to the same.
- Hiram Johnson commented that ITIB is the authority agency for VITA, and anything going to the General Assembly without the Board’s review would be out of order, and the ITIB should be briefed of all proposals and have input regarding their acceptance or rejection.
- Len Pomata stated that the three steps under “Conceptional Review” go against the concept and purpose of the ITIB. The ITIB is not involved in the process; however, the Secretary of Technology, Secretary of Administration and the Secretary of Finance are

involved. He stated that although this may be in the Code, there is an issue with the intention of the ITIB in its concept and precept and what the Code currently states. He clarified that there is potential conflict in the how the processes, the legislation and the Code are set up verses the way the ITIB is set up. He suggested that at the ITIB June Planning Session, Jimmy Hazel and/or John Westrick review this process. Jimmy Hazel, with John Westrick's concurrence, agreed to review the PPEA process and the Code and bring clarification to the Board at some future meeting.

- Chairman Newstrom asked that Dan Ziomek and the CIO revisit the blocks where the ITIB have approval/review action.
- Scott Pattison expressed his concerns that the Board should be ensured input throughout the PPEA process.
- Walter Kucharski commented that Mr. Pomata's statements regarding the intent of the Board is, in his interpretation, the same as what the legislature intended. He suggested that the Board needed to resolve this issue before moving forward with other matters regarding the Board's approval/review action.
- Chris Caine stated that there is a way that the Board could exercise its authority without slowing down the process, and requested suggestions as to how this might be done. He encouraged Lem Stewart and Dan Ziomek to focus on the public nature of the information in that the PPEA process is a way of getting the community thinking of ways to do things differently, constructively and efficiently. The current process may deter people from doing so. He suggested that more input be given either at the May or June meeting.

Chairman Newstrom stated that the process for reviewing PPEAs is a work in progress. He asked that Lem Stewart take the Board's input into consideration in redeveloping the chart and that a revised chart be submitted at the next meeting.

Chris Caine asked if there was a sense of the actual length of time it would take to get through the process. Dan Ziomek stated presently, with specific guidelines to follow, and given the complexity of the proposals on hand, he speculated that the review process would begin this month (April) with a projected completion in the November-December timeframe. Mr. Caine asked if it were possible for the committee to build into a management strategy and process some specific calendar reality dates. He commented that the Board might need to make some changes in law or procedure in order to make the process more private sector real and than public sector methodical.

Lem Stewart stated that the committee is in a negotiation process with a professional in the field, and in the process, the committee will learn what a typical time frame for completion might be.

A proposed timeframe for beginning and completing existing PPEA proposals:

- Beginning initial screening process in April
- Selection and posting in June

- Conduct evaluations to the associated briefings in June
- Select proposal for detailed phase of review – November/December

Dr. Miller reiterated that PPEA proposals will be accepted at any time.

## **Committee Reports**

### **Legislative Review Committee, Jimmy Hazel, Chairperson:**

Jimmy Hazel reported as follows:

- There is presently no budget, which creates problems across the Commonwealth at the state and local level
- The House Finance Committee reconsidered a House revenue enhancing measure, which would increase through a combination of taxes (including a ½% increase in sales tax) a projected \$925,000,000 total increase in revenue to the Commonwealth.
- A continuity budget was advanced by the House, which puts in place a temporary budget with a one-year fix (04-05 budget) rather than a two-year budget, which is required by the Constitution. This will put everything at the level at which it is currently funded to go forward into next year, so that if there is no biennial budget by July 1, there will be a mechanism by which state government can function.

### **IT Project Review Committee, Jim McGuirk, Chairperson:**

In Chairperson McGuirk's absence, Len Pomata reported:

- There was no IT Project Review Committee meeting. Two agenda items for the committee were the PPEA discussion, which the committee decided to be discussed at the full Board meeting, and one project that was determined not ready to come before the Board.

### **Finance Committee, Scott Pattison, Chairman**

Scott Pattison reported that the Finance Committee met on March 31, 2004. Five items to be brought to the Board's attention:

#### **VITA Draft Business Plan**

Scott Pattison made a motion that the Board approve the Draft VITA Business Plan. Chris Caine seconded the motion.

Hiram Johnson stated that on page 23 – section 4 - the organizational chart in the draft plan did not reflect the reorganization discussed in the CIO Update Report. Lem Stewart stated that the chart would be updated.

Len Pomata asked if there was intent to update the Plan on a regular basis. Scott Pattison and Lem Stewart stated that there are plans for the VITA Business Plan to be updated annually.

Len Pomata suggested that the motion be amended that the Board approve the VITA Draft Business Plan with updates to be made no less than annually. Hiram Johnson seconded the motion. There being no discussion, the motion was carried unanimously by the Board.

### **Direct Bill Methodology**

Scott Pattison made a motion that the direct bill methodology be approved and the staff of VITA provide this information to JLARC. After which, JLARC will be asked to approve the direct bill methodology at its May meeting. Jimmy Hazel seconded the motion.

Lem Stewart commented that the JLARC staff has agreed with this approach and information is required to be submitted by April 9<sup>th</sup>. He reiterated that the \$7.6 million is a number is subject to approval and may also change; however, the methodology will not change.

After discussion, the Board unanimously approved the direct bill methodology.

### **Shared Rate Methodology**

Scott Pattison stated that as agencies move from direct billing, the shared rate methodology must also be approved by JLARC. He made a motion that the Board approve the shared rate methodology to submit to JLARC. Dr. Miller seconded the motion. The Board unanimously approved the shared rate methodology.

### **Savings Methodology**

Scott Pattison explained that the savings methodology is required to be approved by the ITIB and the Secretary of Finance. He explained that some of the savings from integration were used to offset administrative costs that were a concern, particularly for small agencies. After this, additional savings will be withdrawn from the agencies and placed in the Virginia Technology Infrastructure Fund. He made a motion that the Board approve the savings methodology and propose it to the Secretary of Finance for approval. Jimmy Hazel seconded the motion. The Board unanimously approved the savings methodology.

### **Strategic Planning Session**

Scott Pattison suggested that the Chair and the Chairs of the ITIB committees get together to set out the agenda for the June strategic planning meeting.

Chairman Newstrom agreed with this suggestion and also suggested that Lem Stewart present the thinking and insight of VITA for the Board during the first portion of the strategic planning meeting. Additional information regarding logistics, etc. will be forthcoming.

## **Other Business**

There was no other business.

## **Public Comment**

There was no public comment.

## **Executive Session**

A motion was made by Len Pomata that pursuant to Section 2.2-3711 A (1) of the Code of Virginia that the IT Investment Board convene into Executive Session for the purpose of discussing personnel matters. Hiram Johnson seconded the motion. By unanimous vote, the Board convened into Executive Session in the Executive Workroom, VITA Operations Center, Third Floor, 110 South Seventh Street, Richmond, Virginia.

The Board immediately reconvened in open session at 4:35 p.m. Hiram Johnson made a motion that all members certify as follows:

- i. to the best of each members' knowledge, only public business matters lawfully exempted from open meeting requirements under the Freedom of Information Act, and
- ii. only such public business matters as were identified in the motion by which the closed meeting was convened was heard, discussed or considered in the meeting by the public body.

Jimmy Hazel seconded the motion. Chairman Newstrom called the roll and each of the eight members so certified.

## **Adjourn**

The next meeting of the ITIB will be Wednesday, May 5, 2004 at 1:00 p.m. at the VITA Operations Center. There being no further business, the meeting adjourned at 4:50 p.m.